

FOR-SALE HOUSING
AND RETAIL PROPERTY
INITIAL FISCAL IMPACT ANALYSIS
OF
CATLETT FARM
CATLETT, FAUQUIER COUNTY,
VIRGINIA

FOR
CATLETT FARM, LLC

AS OF
AUGUST 13, 2010

Account: 146-10

The Weitzman Group, Inc.
355 Lexington Avenue, New York, NY

August 13, 2010

Mr. Anthony Westreich
Catlett Farm, LLC
c/o Monday Properties Services, LLC
230 Park Avenue South, Suite 500
New York, New York 10169

Re: Revised Fiscal Impact Analysis of Residential and Retail Development
Catlett Farm
Catlett, Fauquier County, Virginia

Dear Mr. Westreich:

At your request, The Weitzman Group, Inc. is pleased to submit this revised analysis of the fiscal impact to Fauquier County, Virginia associated with your potential development of the Catlett Farm property with for-sale housing and retail property. The Catlett Farm property constitutes approximately 800 acres of land in the Village of Catlett, which is in an unincorporated area of Fauquier County. The land is presently improved with several modest buildings, and is generally classified as Open Space pursuant to the County's land use guidelines, which have entitled it to receive a real estate tax deferment resulting in a total annual tax bill of approximately \$7,200. You are investigating the potential residential subdivision development viability for the parcel, and are required by the County to provide a Fiscal Impact Analysis estimating the effect that the development may have on the County's and School Division's revenue and expenses.

In August of 2009, we submitted to you our initial analysis of this impact, which was based upon the prospective development of 999 homes (900 single-family homes and 99 townhomes) as well as 150,000 square feet of retail space. You recently asked us to update our analysis based upon a reduced prospective development size of 645 homes (550 single-family homes and 95 townhomes), and 64,500 square feet of retail space. We have also updated our analysis to reflect the current tax rates, County budget figures, and other details.

The most important update to our work, however, is that our initial analysis did not take into account any of the valuable proffers you have proposed contributing to the County and to the community of Catlett. These proffers were not included in our initial analysis because they are either proposed as one time transfers of land or expenditures on public improvements, or short-term subsidies, and were not ongoing annual revenue items due and paid to Fauquier County. As this report describes, we have now determined a methodology by which we can consider these proffers as providing a long-term annual benefit to the County. We have confirmed with Mr. Ari Sky, the Fauquier County Budget Director, that our approach to considering the proffers as an annual benefit is reasonable.

The purpose of the analysis contained herein remains to provide your organization with an estimate of the fiscal impact on the County of your development of the Catlett Farm property. You seek to provide the County with a reasonable estimate of the potential development's fiscal impact for use in your filings and discussions with the County at this stage in the rezoning and entitlement process. At this stage of projecting the fiscal impact of Catlett Farm' development on

the County, we have made assumptions about the County's revenue derived from the development. The future performance of the national and regional economy will have a direct effect on real estate and personal property values, as well as business licensing taxes and sales tax reinvestment by the Commonwealth. At this time, we have not made any assumptions about the future performance of the economy or the real estate market, and have based our assumptions on a reasonable interpretation of the property's taxable value during the third quarter of 2010; the national economy continues to recover from the recent economic recession, and high unemployment, strict mortgage lending criteria, and lower consumer expenditures remain hallmarks of present market conditions.

We have, therefore, taken into consideration feedback provided by the County staff related to some of the assumptions we made in our initial analysis. Specifically, we have adopted the County Proffer Policy's stated new student to housing unit ratios, and reduced the projected assessed values of the homes, retail property, personal property for residents and businesses, and sales projections for the retailers at the proposed development. These revised assumptions are discussed later in this report.

In preparation of our fiscal impact analysis, The Weitzman Group has completed the following tasks:

- Interviewed various County and School Division officials, including:
 - Mr. Ari Sky, Fauquier County Budget Director
 - Mr. Ross D'Urso, Fauquier County Commissioner of the Revenue
 - Ms. Janet Romanchyk, Fauquier County Finance Director
 - Ms. Kathy Lee, Senior Deputy Commissioner of the Revenue
 - Ms. Edna Reese, Deputy Commissioner of the Revenue
 - Ms. Susan Frazier, Deputy Commissioner of the Revenue
 - Ms. Stephanie Johnson, Real Estate Tech III
 - Mr. Andy Hawkins, Fauquier County Public Schools Manager of Budget and Operations
- Reviewed with Ms. Janet Romanchyk, Fauquier County Finance Director, and Mr. Ross D'Urso, Fauquier County Commissioner of the Revenue, the Commonwealth of Virginia's current rate of reimbursement of retail sales taxes, which are taxed by the Commonwealth and returned to the County as reinvestment dollars.
- Reviewed the initial Catlett Farm development master plan and discussed the potential development, site, and developable uses with ownership.
- Reviewed the property's 2008 and 2009 tax bills, and discussed with County staff the means by which the property's open space land use provides for a deferment of taxable value.
- Reviewed the Fauquier County Budget for Fiscal Years 2010 and 2011.
- Reviewed the Fauquier County Public Schools Budgets for 2009-2010 and 2010-2011.
- Estimated reasonable real estate property values based upon a cursory review of the current competitive housing market, and those retail property values and reported sales per square foot among shopping centers similar in nature to that which may be developed at Catlett Farm.

- Estimated reasonable personal property values per residential household, and estimated reasonable business personal property values for the retail business that may occupy the site.
- Reviewed a history of property tax rates since 1997, and obtained the current 2010 tax rates for real estate, personal property, and business licensing.
- Estimated the total real estate tax, personal property tax, business licensing tax, and sales tax reinvestment revenue possibly created by the development of Catlett Farm at full build-out, uninflated from 2010 dollars.
- Reviewed the Fauquier County Proffer Policy.

The completion of these tasks provided the information and context for the estimates included in this report, and our estimates are subject to further refinement pursuant to changes in the development plan, changes in County or Commonwealth policy or adopted taxation methods, and the performance of the regional and national economy and real estate markets.

Our analysis is subject to the Basic Assumptions and Limiting Conditions contained in the Addenda.

ASSUMPTIONS AND ANALYSIS

TAX REVENUE

The Weitzman Group began its analysis by reviewing the existing real estate and personal property taxes due annually from the Catlett Farm parcel at the present time. Table 1 summarizes the Catlett Farm parcel's existing market valuation for land and buildings, as well as the projected 2010 taxes based upon the current assessed value and 2010 adopted tax rates. We are not aware that any personal property is taxed at the current time.

Existing Property Taxes

Real property valuations are updated once every four years for existing property, and the most recent revaluation was completed in 2010. The next revaluation is due in 2014. Assessed values equate to 100% of fair market values, as determined by an independent appraiser every four years. However, tax rates are adopted by the County each year at the end of March. While the 2010 tax bill for Catlett Farm indicates a total market value of \$4,158,000, there is a deferment in taxable value of more than \$3.4 million due to the property's classification as open space, pursuant to ownership's approved application for such open space land use as provided for by the County with stipulations. The deferment, generally based upon the various soil types found on the property, is deducted from the taxable value of the real estate. The total taxable value of Catlett Farm is \$747,400 until 2014, at which point its fair market value, less the deferment, will be adjusted by an independent appraiser as part of the revaluation process.

The total real estate tax rate in Fauquier County increased from \$0.765 per \$100 in value in 2009 to \$0.97 per \$100 of value in 2010. The current tax rate per \$100 of value is comprised of \$0.919 as a base real estate tax, a \$0.045 fire and rescue levy, and a \$0.006 contribution to the Conservation Easement Fund. These taxes and levies result in a total real property tax rate of

\$0.97 per \$100 in value for 2010, and based upon Catlett Farm's current assessed value, the taxes due for 2010 are projected to be \$7,249.78.

TABLE 1

CATLETT FARM									
EXISTING TAX REVENUE FROM SUBJECT PARCEL									
MARKET VALUATION (FAUQUIER COUNTY)					2010 REAL ESTATE TAXES DUE AND PAYABLE				
SUBJECT PARCEL PIN	LAND	BUILDINGS	Sub-Total	(Deferment)	TOTAL TAXABLE VALUE	Base Real Estate Tax (\$0.919 / \$100)	Fire & Rescue Levy (\$0.045 / \$100)	Conservation Easement Fund (\$0.006 / \$100)	ESTIMATED ANNUAL TAX REVENUE (\$0.97 / \$100)
7922-34-3184	\$3,962,700	\$195,300	\$4,158,000	(\$3,410,600)	\$747,400	\$6,868.61	\$336.33	\$44.84	\$7,249.78
Source: Fauquier County Assessor's Office; compiled by The Weitzman Group, Inc.									

The Weitzman Group then proceeded to estimate the revenue to the County associated with the development of the Catlett Farm property, which is summarized in Table 2 after this discussion. It remains too early in the development planning process to project the specific mix of homes and commercial uses that will be marketable on the Catlett Farm site. However, ownership has provided us with its expectation of the general scope of development, which includes its revised estimate of 550 single-family homes, 95 townhomes, and approximately 64,500 net rentable square feet of retail space. We have used these guidelines to perform a cursory review of the for-sale residential housing market.

Future Real Estate Property Taxes

We have considered the potential housing development at Catlett Farm in the context of other Fauquier County developments underway, including The Lakes and The Reserve at Brookside, Cardinal Fields, The Legacy at Suffeld Meadows, and Bristow Village Manor Homes. We have utilized the competitive pricing available at these subdivisions to bracket the single-family home pricing at Catlett Farm between \$350,000 and \$450,000. This pricing is reduced from the range we used in our original analysis by approximately 10% on average to reflect a more conservative approach to assessed valuation. Further, it is supported by the fact that thus far in 2010, in a depressed housing market, the average sale price of a single-family home in Catlett was \$247,710, as reported by the Greater Piedmont Area Association of Realtors. In 2008 the average Catlett house sold for \$367,575, and in 2006 the average was \$434,335. These average sale prices include older and less marketable homes, as well as new homes that must be presumed to have achieved prices well above the average price. While the pricing range we have projected for Catlett Farm is expressed in 2010 dollars, we have taken into account the fact that competitive pricing is presently affected by the recent recessionary environment, and that a stabilized housing market would likely present higher pricing for new homes in 2010 than is presently available; Catlett Farm's homes will only be marketable, and will only be offered for sale, once the economy emerges from recession and once the economy stabilizes.

Our estimates result in weighted average price point of approximately \$405,000 for Catlett Farm in 2010 dollars. This is based upon a mix of 120 smaller single-family homes valued at approximately \$350,000, 310 medium-sized homes valued at an average of approximately \$410,000, and 120 larger homes valued at approximately \$450,000. The 95 townhomes proposed are anticipated to be marketable in a value range between \$260,000 and \$315,000, with small, medium, and large home price points at \$260,000, \$285,000, and \$315,000 respectively. The weighted average townhome is estimated to be valued at approximately \$280,000. The estimated

assessed values of the townhomes are also reduced versus our initial analysis, by approximately 6%. We note that the project is anticipated to have a ten to fifteen year build-out, and that the projected pricing is the average assumed to be achieved over this time period, in 2010 dollars. Further, the mix of home types is likely to be much more detailed, and to change, pursuant to the continuing master-planning effort and market factors. In the mean time, these estimates of taxable value are reasonable given other housing developments in the County and sale transaction data.

Based upon these estimates, the total aggregate taxable real estate value of the residential component to Catlett Farm would be approximately \$249.7 million in 2010 dollars. Given current tax rates, the residential component would provide a total of approximately \$2.4 million in revenue to the County.

The proposed retail component to the Catlett Farm development has been reduced from 150,000 square feet to 64,500 square feet. Based upon our experience with upscale community retail shopping centers throughout the United States, and upon our specific review of several centers on the eastern seaboard with which we have some familiarity, we estimate that the retail shopping center's value in a non-recessionary economic climate would be approximately \$300 per square foot, although for this analysis we have utilized a projected retail property value of \$250 per square foot to be conservative. This equates to \$16.125 million, upon stabilization in 2010 dollars and assuming nearly full occupancy. We have estimated that the tenants will achieve sales averaging \$200 per square foot in 2010 dollars; this has been reduced from the \$250 in sales per square foot used in our initial analysis. Typically, retailers can afford to spend between 10% and 12% of their gross sales on occupancy costs, which equates to approximately \$20.00 to \$24.00 per square foot in gross rent. In our experience, these gross rents represent a very reasonable point of entry for tenants seeking new construction retail space, which supports our estimate of sales, and also our projected assessed value of the retail space.

The retail component to Catlett Farm is estimated to have a potential assessed value of \$16.125 million, which based upon current tax rates would generate a total of approximately \$156,000 annually in property taxes.

Personal Property Taxes

Personal property is also taxed in Fauquier County, although the assets subjected to taxation are different for businesses than they are for residents. Residents are taxed based upon the value of their automobiles, boats, motorcycles, and other machinery. Businesses are taxed based upon the value of this equipment plus any other furniture, fixtures or equipment that aid in the operation of their business. The current 2010 tax rate for all residential personal property is \$4.65 per \$100 in value; this is unchanged from 2009. Due to the fact that the vast majority of households purchasing new homes at Catlett Farm will likely own two cars or trucks, and a few may own boats or other motorized vehicles, we have conservatively estimated that each of the 645 homes proposed for Catlett Farm will present personal property totaling \$30,000 (in 2010 dollars) in value for taxation by the County. We have reduced this estimation from our initial analysis to be more conservative, although we expect that households purchasing new homes are more likely to drive newer automobiles, and therefore an assumption that each of two cars per household is valued at an average of \$15,000 is reasonable in our opinion. Any other personal property would be taxed in addition. This equates to total residential personal property of approximately \$19.35 million in 2010 dollars, and tax revenue of approximately \$900,000 annually.

Based upon our experience with tenants that would typically occupy space at the proposed retail space, we have estimated that the businesses located at Catlett Farm will have taxable personal property averaging \$30 per square foot, or a total of approximately \$1.935 million in 2010 dollars; a clothing store or a dentists' office would likely have more personal property on a per square foot basis, while a bank might have less. The tax rate for business personal property has been reduced from \$4.65 per \$100 in value in 2009 to \$2.30 per \$100 in value in 2010. Based upon the new rate, total annual business personal property tax revenue of approximately \$45,000 in 2010 dollars. Since our initial analysis, we have reduced our assumption of business personal property from \$35 per square foot to \$30 per square foot to be more conservative. As a result of our projection, all business and personal property tax revenue is estimated at approximately \$950,000 annually in 2010 dollars.

Business Licensing Taxes

Fauquier County collects business licensing taxes on all businesses whose sales exceed \$100,000 annually. The current business licensing tax rates vary depending upon what type of business is being operated. General retail businesses (clothing stores, grocery, retail bank branches, etc.) are taxed at the rate of \$0.10 per \$100 in gross sales, while general professional service firms (real estate brokerage, attorneys, accountants including H&R Block-type businesses, etc.) are taxed at the rate of \$0.187 per \$100 in gross sales. These rates are unchanged from 2009. While the development plans are still in the early stages of design, and we have not completed a market study for the retail component of Catlett Farm, we believe that most businesses located at Catlett Farm will be a mix of traditional retail and service tenants. Therefore, we have estimated that the business licensing taxes at Catlett Farm will be computed at an average rate of \$0.1435 per \$100 in gross sales, representing the midpoint between the two tax rates previously described.

As previously discussed, we have estimated that the retail tenants at Catlett Farm may achieve sales of \$200 per square foot in 2010 dollars. Based upon a retail property size of approximately 64,500 net rentable square feet, this equates to total retail sales of \$12.9 million annually. We have also assumed that all of the tenants at Catlett Farm will be achieving gross sales above \$100,000 annually. Based upon these factors, and an average tax rate of \$0.1435, we have estimated that the business licensing tax revenue collected by Fauquier County associated with tenants at Catlett Farm will be approximately \$18,500 annually, in 2010 dollars.

Retail Sales Tax Reinvestment by the Commonwealth

The Commonwealth of Virginia collects a 5.0% retail sales tax on all transactions throughout the state. While the incorporated Fauquier County towns of Warrenton, The Plains, and Remington charge their own additional retail sales taxes, payable directly to the municipality, those retail sales occurring in unincorporated parts of Fauquier County are taxed only by the Commonwealth. Catlett Farm is located in the unincorporated village of Catlett. Out of the 5.0% of retail sales taxes collected by the state, 1.125% is remitted directly to the County as a reinvestment in whatever projects or initiatives the County deems appropriate. Our interview with Ms. Janet Romanchyk, Fauquier County Finance Director, confirmed that there are no constraints on the County's use of these reinvestment dollars. An additional 1.0% is remitted directly to the School Division, making the total remittance 2.125% of retail sales. Mr. Ross D'Urso, the Fauquier County Commissioner of the Revenue, confirmed that we should be projecting revenue to the County and School Division equal to 2.125% of retail sales.

Based upon gross sales totaling \$12.9 million annually (in 2010 dollars) at Catlett Farm, we have estimated that the Commonwealth will remit approximately \$274,000 annually to Fauquier County and the School Division in the form of a 2.125% retail sales tax reinvestment.

Total Estimated Tax Revenue

In total, we have estimated that these components of tax revenue to Fauquier County resulting from the full development and occupancy of Catlett Farm (and assuming a non-recessionary environment), will result in annual tax revenue totaling approximately \$3,815,662. It is important to reiterate that this estimate is based upon 2010 dollars and tax rates, and for the purposes of this fiscal impact analysis, we have not projected the inflation of taxable value or sales. Further, at this stage of our analysis, we have not projected other elements of revenue to the County, such as the sales taxes or fees associated with the purchase of construction materials and the recordation of home sales at Catlett Farm, for example. Table 2 summarizes the components of our tax revenue estimates.

THE WEITZMAN GROUP, INC.
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TABLE 2

CATLETT FARM				
FUTURE UNINFLATED ANNUAL TAX REVENUE AT FULL OCCUPANCY				
Based upon 2010 Adopted Fauquier County Tax Rates				
REAL ESTATE TAXES				
SINGLE-FAMILY DETACHED HOMES				
Dwelling Units	Average Value	Estimated Aggregate Value	Tax Rate per \$100 *	Aggregate Annual Taxes
120	\$350,000	\$42,000,000	0.97	\$407,400
310	\$410,000	\$127,100,000	0.97	\$1,232,870
120	\$450,000	\$54,000,000	0.97	\$523,800
550	\$405,636	\$223,100,000		\$2,164,070
TOWNHOMES				
Dwelling Units	Average Value	Estimated Aggregate Value	Tax Rate per \$100 *	Aggregate Annual Taxes
30	\$260,000	\$7,800,000	0.97	\$75,660
55	\$285,000	\$15,675,000	0.97	\$152,048
10	\$315,000	\$3,150,000	0.97	\$30,555
95	\$280,263	\$26,625,000		\$258,263
RETAIL PROPERTY				
Total Net SF	Average Value	Estimated Aggregate Value	Tax Rate per \$100 *	Aggregate Annual Taxes
64,500	\$250	\$16,125,000	0.97	\$156,413
SUB-TOTAL REAL ESTATE TAXES		\$265,850,000		\$2,578,745
PERSONAL PROPERTY TAXES				
RESIDENTIAL DWELLING UNITS				
New Households	Personal Property Per Household	Estimated Aggregate Value	Tax Rate per \$100	Aggregate Annual Taxes
645	\$30,000	\$19,350,000	4.65	\$899,775
BUSINESS PERSONAL PROPERTY TAXES (RETAIL)				
Total Net SF	Personal Property PSF	Estimated Aggregate Value	Tax Rate per \$100	Aggregate Annual Taxes
64,500	\$30	\$1,935,000	2.30	\$44,505
SUB-TOTAL PERS. PROPERTY TAXES		\$21,285,000		\$944,280
BUSINESS LICENSING TAXES				
Total Net SF	Estimated Sales PSF/YEAR	Estimated Aggregate Retail Sales	Tax Rate (%)	Aggregate Annual Taxes
64,500	\$200	\$12,900,000	0.1435	\$18,512
RETAIL SALES TAX REINVESTMENT BY THE COMMONWEALTH				
Total Net SF	Estimated Sales PSF/YEAR	Estimated Aggregate Retail Sales	Taxes Returned to Cty (%)	Aggregate Annual Taxes
64,500	\$200	\$12,900,000	2.125	\$274,125
TOTAL ANNUAL UNINFLATED TAXES DUE AND PAYABLE UPON COMPLETION				\$3,815,662
* The 2010 Fauquier County Real Estate Tax Rates are comprised of a real estate tax of \$0.919 per \$100 in value, a Real Estate Fire & Rescue Levy of \$0.045 per \$100 in value, and a Conservation Easement Purchase Levy of \$0.006 per \$100 in value.				
** Business Licensing Taxes are levied against all businesses with gross sales over \$100,000 annually. We have assumed that all tenants at the property will achieve gross sales at this level. We have also assumed that the businesses will be a mix of retail and service tenants and that the tax rate applied to the average tenant's gross sales will be the midpoint between the tax rates for these two types of businesses, which are \$0.10 and \$0.187 per \$100 in gross sales for retail and service businesses, respectively.				
*** The Commonwealth of Virginia returns to the County 2.125% of the total 5.0% retail sales taxes it collects annually.				
Source: Fauquier County Commissioner of the Revenue; compiled by The Weitzman Group, Inc.				

New Tax Revenue Associated with Catlett Farm Development

As previously discussed, the undeveloped Catlett Farm open space parcel presently provides approximately \$7,250 annually in taxes to the County. Our latest projections are based upon a significantly reduced development size. Upon full completion and occupancy of the Catlett Farm development, we have estimated that the project will present \$3,815,662 in tax revenue to the County. Subtracting the existing taxes due and paid on the undeveloped parcel, we have estimated that the development of Catlett Farm will produce \$3,808,412 in new tax revenue to the County. We reiterate that this is an initial forecast in 2010 dollars, and does not include other potential sources of revenue to the County due to the build-out and occupancy of the property.

PROFFERS

Our initial analysis did not include as annual revenue the substantial proffers that the developer has proposed to the County, although we did emphasize that these were important and valuable considerations in evaluating the net benefit or cost to the County. In this updated analysis, we have determined a methodology by which we can consider the value of the proposed proffers to the County annually, offsetting costs. The proffers include several types of assets: (a) construction of a waste water treatment plant (WWTP) that will provide service to not only the proposed 645 homes and retail users at Catlett Farm, but also to the existing users in the village of Catlett; (b) land donated for public benefit; (c) roadway infrastructure improvements that benefit the greater public; (d) public water infrastructure improvements; and (e) cash proffers to the County based upon the total number of housing units.

Waste Water Treatment Plant

The most significant proffer proposed by the developer is the construction of a waste water treatment plant (WWTP) to serve the village of Catlett, including the proposed 645 new homes, and with excess capacity to handle further growth in the community. The total development costs for the WWTP include the construction of the plant itself, the cost to connect all existing users in Catlett to the new facility, the interest expense incurred by the developer in financing the project, and the developer's payment of a subsidy to cover operations shortfalls at the plant until such time as the plant breaks even in income from fees versus costs in operation. These costs, as projected by the developer, total \$18,081,383.

Land for Public Use

The developer has offered to donate several parcels of its land for use in a variety of ways that benefit the public:

- A site for a new school, to be used by the School Division should it decide at some point in the future that a school is warranted in this location.
- The site for the WWTP drainage field.
- Land dedicated to conserve public open space.
- Land to be used as park space, some of it improved with paved walking trails.

In total, several hundred acres of both improved and unimproved land will be transferred by the developer to the County or to its affiliate agencies. In total, the value of this land is projected by the developer to be \$6,798,000.

Roadway Improvements

The developer will be making significant improvements to public roads. These will include the paving of Old Catlett School Road, which is called for in the County's Comprehensive Plan, and the improvement of the intersection of Catlett and Dumfries Roads. The total cost of these improvements is projected by the developer to be \$2,320,000.

Public Water Infrastructure

The developer will be providing a new 375,000 gallon water storage tank tower, which will improve water pressure in the area, and will be paying for the necessary hydrogeologic studies and the construction of wells. These improvements are projected by the developer to total \$1,620,000.

Cash Proffers per Housing Unit

The developer is proposing that it provide the County with cash proffers amounting to \$4,000 per single-family housing unit, and \$3,000 per townhome unit. Based upon a proposed development size of 645 homes, the cash proffers total \$2,485,000.

The following table summarizes the proffers proposed by the developer, which total \$31,304,383.

TABLE 3

CATLETT FARM			
PROFFERS (Considered in this Analysis):			
PUBLIC IMPROVEMENT PROFFERS:			
Land:			
School Site Donation			\$ 720,000
Conservation Land			\$ 1,140,000
Parks & Rec - Paved Trail Donation			\$ 1,948,000
Parks & Rec - Community Park			\$ 1,080,000
Drainfield Donation to WSA			\$ 1,910,000
Roadway Improvements:			
Old Catlett School Road			\$ 2,020,000
Catlett Rd & Dumfries Rd Intersection			\$ 300,000
Waste Water Treatment Plant (WWTP):			
WWTP - 300,000 gpd Plant			\$ 7,422,800
WWTP - Connect Existing Catlett Users			\$ 4,200,000
WWTP - Operational / Reserve Fund Subsidy Until Break-Even			\$ 2,411,484
WWTP - Interest Expense			\$ 4,047,099
Water Infrastructure:			
Regional Hydrogeologic Study			\$ 130,000
Test Wells / Production Wells			\$ 240,000
Hydrosphere Elevated Storage Tank (375,000 gals.)			\$ 1,250,000
Sub-Total Non-Cash Proffers Considered in this Analysis			\$ 28,819,383
CASH PROFFER PER HOUSING UNIT:			
Single-Family Homes	550	\$ 4,000	\$ 2,200,000
Townhomes	95	\$ 3,000	\$ 285,000
Sub-Total Cash Proffers			\$ 2,485,000
TOTAL PROFFERS (Considered in this Analysis):			\$ 31,304,383
<i>Source: Catlett Farm, LLC</i>			

Proffers Realized Annually

As previously mentioned, our initial fiscal impact analysis did not include any calculated benefit from the developer's provision of proffers as part of the proposed development. While on the surface these benefits cannot be considered annual revenue in the same way that tax revenue would be used to offset the County's costs, the value of the proffers is undeniably material to any calculation of whether the County has collected more in the way of benefits than it has expended in costs associated with the new development as proposed.

We have therefore considered the proffers as being an annuity upon completion of the Catlett Farm development, whereby the principal balance consists of the (a) assets transferred to the County and its affiliates for public benefit, and (b) cost savings to the County realized due to the developer's adoption of certain costs that would otherwise have been incurred by the County.

In hypothetical terms, if the County saved money that it would have otherwise been obligated to spend, these cost savings are assumed to be "deposited" as principal into the annuity. Likewise, if the County accepted land donations, it could either convert these assets to cash by selling the land, or view the donation as avoiding costs they might otherwise have incurred to acquire property for some purpose, such as a school site, public park or open space, or the WWTP site. As this land is donated, that cost has been saved by the County, and the savings or cash value is deposited as principal into the annuity. The cash proffers are clearly straight forward given their liquid nature.

The term of the annuity has been projected as being 25 years for the purposes of this analysis, which provides a long-term annual benefit to the County. While the principal balance is amortized down over this period, with a portion of the principal paid out annually, the annuity also earns interest. We have determined that a reasonable interest rate for use in this analysis would be the mid-point between the year-to-date average daily rates for 20-year and 30-year United States Treasury Bills. According to Mr. Ari Sky, the Fauquier County Budget Director, using a long-term Treasury Bill interest rate in this analysis is a reasonable approach, and that if the County were to invest such an amount of money, that it would likely invest in Treasury Bills or a similarly "safe" investment. Further, Mr. Sky noted that the County's cost of capital is typically between 4.8% and 5.0% when it borrows money. Typically, we would use the County's cost of capital as our interest rate in an analysis such as this, but we have taken a more conservative approach and used the mid-point between the year-to-date daily average 20-year and 30-year Treasury Bill interest rates. As of August 11, 2010, the 20-year Treasury Bill had a year-to-date average interest rate of 4.24%, while the 30-year Treasury Bill had a year-to-date average interest rate of 4.40%. The midpoint between these rates is 4.32%, and we have used this rate in our analysis of a 25-year annuity of the proffer benefits. We note that interest rates on 20-year and 30-year Treasury Bills are at their lowest point in over 30 years, and so the use of the average year-to-date rate is quite conservative versus the historical rates.

Based upon our 25-year amortization schedule of the annuity, the County would receive payments of \$2,072,200 each year. We would expect this annual benefit to be used to directly offset the County's costs. Our calculations are illustrated in the following table.

TABLE 4

CATLETT FARM					
PROFFER AMORTIZATION SCHEDULE					
Total Proffers	\$ 31,304,383				
Interest Rate	4.32%	(Midpoint, 2010YTD Avg 20 and 30 Year Treasury Yields)			
Amortization Period	25				
Payments per Year	1				
Total Payments	25				
Annual Payment	\$2,072,199.51				
Year	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	\$ 31,304,383	\$ 2,072,200	\$ 719,850	\$1,352,349	\$ 30,584,533
2	\$ 30,584,533	\$ 2,072,200	\$ 750,948	\$1,321,252	\$ 29,833,585
3	\$ 29,833,585	\$ 2,072,200	\$ 783,389	\$1,288,811	\$ 29,050,197
4	\$ 29,050,197	\$ 2,072,200	\$ 817,231	\$1,254,968	\$ 28,232,966
5	\$ 28,232,966	\$ 2,072,200	\$ 852,535	\$1,219,664	\$ 27,380,430
6	\$ 27,380,430	\$ 2,072,200	\$ 889,365	\$1,182,835	\$ 26,491,065
7	\$ 26,491,065	\$ 2,072,200	\$ 927,785	\$1,144,414	\$ 25,563,280
8	\$ 25,563,280	\$ 2,072,200	\$ 967,866	\$1,104,334	\$ 24,595,414
9	\$ 24,595,414	\$ 2,072,200	\$ 1,009,678	\$1,062,522	\$ 23,585,736
10	\$ 23,585,736	\$ 2,072,200	\$ 1,053,296	\$1,018,904	\$ 22,532,441
11	\$ 22,532,441	\$ 2,072,200	\$ 1,098,798	\$ 973,401	\$ 21,433,642
12	\$ 21,433,642	\$ 2,072,200	\$ 1,146,266	\$ 925,933	\$ 20,287,376
13	\$ 20,287,376	\$ 2,072,200	\$ 1,195,785	\$ 876,415	\$ 19,091,591
14	\$ 19,091,591	\$ 2,072,200	\$ 1,247,443	\$ 824,757	\$ 17,844,149
15	\$ 17,844,149	\$ 2,072,200	\$ 1,301,332	\$ 770,867	\$ 16,542,816
16	\$ 16,542,816	\$ 2,072,200	\$ 1,357,550	\$ 714,650	\$ 15,185,267
17	\$ 15,185,267	\$ 2,072,200	\$ 1,416,196	\$ 656,004	\$ 13,769,071
18	\$ 13,769,071	\$ 2,072,200	\$ 1,477,376	\$ 594,824	\$ 12,291,695
19	\$ 12,291,695	\$ 2,072,200	\$ 1,541,198	\$ 531,001	\$ 10,750,497
20	\$ 10,750,497	\$ 2,072,200	\$ 1,607,778	\$ 464,421	\$ 9,142,719
21	\$ 9,142,719	\$ 2,072,200	\$ 1,677,234	\$ 394,965	\$ 7,465,485
22	\$ 7,465,485	\$ 2,072,200	\$ 1,749,691	\$ 322,509	\$ 5,715,794
23	\$ 5,715,794	\$ 2,072,200	\$ 1,825,277	\$ 246,922	\$ 3,890,517
24	\$ 3,890,517	\$ 2,072,200	\$ 1,904,129	\$ 168,070	\$ 1,986,388
25	\$ 1,986,388	\$ 2,072,200	\$ 1,986,388	\$ 85,812	\$ (0)
Source: Projections by The Weitzman Group, Inc.					

OTHER

WWTP Operations Shortfall Reduction

According to an analysis completed by MuniCap Public Finance, the developer's consultant related to the proposed WWTP, there are significant annual operating cost savings associated with the developer's completion of the WWTP for 763 users as opposed to the County's completion of a smaller WWTP for only the existing 118 users in the village of Catlett. We have assumed that the County is obligated to provide a modern WWTP into which the existing users can choose to connect. While it is purely speculative that all 118 users would choose to pay the five-figure water availability fees to connect to the WWTP upon completion, the annual operating shortfall would be (\$410,396), according to MuniCap, even with all users connected, assuming that the WSA operating rate is not increased. In contrast, the developer of Catlett Farm has proposed that the costs to connect all existing users be paid for by amortizing these costs over the 645 new homes in its development. This would allow existing users to connect to the WWTP without paying the five-figure sewer availability fees. Further, because a larger WWTP would be developed to serve 763 users (existing 118 plus 645 new), significant efficiencies in operation would be realized. Without any increase in the WSA operating rate, the annual operations shortfall would be (\$77,277). This is an improvement of \$333,119 over what the County's annual costs would be without the Catlett Farm development, according to MuniCap. We have therefore considered this cost savings as an annual benefit to the County.

Increased Real Estate Tax Base Resulting from WWTP Service

The Weitzman Group has also taken into consideration the fact that the village of Catlett does not presently have modern waste water treatment facilities, and that property values may be impacted negatively as a result of failing drain fields and the effect this may have on the community's image. Therefore, based upon our prior experience and conversations with local real estate salespeople, we have conservatively assumed that the existing property owners in Catlett will realize a modest 5.0% increase in property value upon completion of the WWTP. Mr. Ari Sky, the Fauquier County Budget Director, confirmed to us that it was reasonable to project a modest increase in property values upon completion of the WWTP, as it is a major public amenity providing a new service to these property owners.

Upon our request, the office of the Commissioner of the Revenue provided us with the 2010 taxable real estate values for the magisterial district in which Catlett is situated. While we could not isolate taxable parcels located in Catlett, we could evaluate those properties for which the tax bill is mailed to an address in Catlett. In total, the taxable value (which includes deferments) for these parcels is approximately \$397.4 million in 2010. Based upon a 5.0% increase in value, we estimate that the tax base would increase by approximately \$17.4 million, providing additional real estate tax revenue of \$168,680 each year based upon current tax rates.

EXPENSES

Our analysis of the fiscal impact of Catlett Farm's development has also taken into account an estimate of the costs potentially incurred by the County in providing educational and other services to the residents of the development.

Public Education

The largest impact the development of the Catlett Farm property is likely to have is on the school district's ability to provide public education to the children residing at the community. In formulating our estimate of the cost of providing education to these children, we previously interviewed Mr. Andy Hawkins, Manager of Budget and Operations for the Fauquier County Public Schools. We also reviewed the School Board's Adopted Budgets for 2009-2010 and 2010-2011, and the County Budget for FY2010 and FY2011. The School Board's budget indicates total projected expenditures per student of \$10,621 for the 2010-2011 school year.

We next estimated the total number of school-aged children likely to reside at Catlett Farm upon full completion and occupancy. According to the Fauquier County Board of Supervisors Proffer Policy, County staff persons use standard ratios of students to housing units in their own internal calculations of the impact a new residential subdivision may have on the County. These ratios are 0.72 students per single-family detached home, and 0.45 students per single-family attached home (townhome). Despite our prior calculations indicating that a slightly lower ratio of new students per single-family housing unit has been experience in the County, we have adopted the County Proffer Policy's ratios pursuant to County staff's request that we do so. Based upon 550 single-family homes and 95 townhomes, we have therefore projected that 439 new students will be enrolled in public schools upon full build-out of Catlett Farm.

Based upon a total cost per student of \$10,621, and total new enrollment estimated to be 439 students, we have projected that the total cost to the School Division to provide educational services to the school-aged children eventually residing at Catlett Farm will total approximately \$4.7 million annually (in 2010 dollars).

We have, however, updated our prior new student generation ratio calculations and expanded this analysis for discussion purposes. Based upon information contained in the School Division's 2010-2011 Budget, there were an estimated 4,275 new single-family homes built in Fauquier County between 2000 and 2009. From the 2001-2002 school year through enrollment projected for the 2010-2011 school year, total public school enrollment grew by 1,810 children. This indicates a new student generation ratio of 0.423 students per new single-family home built since 2000. The premise for this calculation is that new enrollment in public schools by students living in new houses occurs generally the first academic year after the house was completed, sold, and occupied. The following table summarizes this data.

TABLE 5

	Enrollment	Growth	New SF Homes
2000-2001	9,269		409
2001-2002	9,623	354	514
2002-2003	9,675	52	498
2003-2004	10,054	379	573
2004-2005	10,295	241	570
2005-2006	10,717	422	555
2006-2007	10,940	223	562
2007-2008	11,084	144	332
2008-2009	11,287	203	171
2009-2010	11,241	-46	91
2010-2011 Proj	11,079	-162	
TOTAL		1,810	4,275
RATIO		0.4234	
<i>Source: Fauquier County School Division Budget 2010-2011, compiled by The Weitzman Group, Inc.</i>			

Based upon this calculated new student generation ratio, Catlett Farm would add 273 students to existing enrollment.

We have also examined change in enrollment versus single-family building permits issued, and change in enrollment versus all new housing units, in both the Commonwealth of Virginia and Fauquier County since the 2003-2004 academic year.

The Ratio of Change in Enrollment to Prior Year New Single-Family Permits was calculated annually as was the Ratio of Total Change in Enrollment 2003-2009 to the Total New Single-Family Permits 2002-2008 for Virginia and Fauquier County. These rates were 0.249 and 0.391, respectively, due to the fact that not all permitted single-family housing was actually built. The annual ratios were determined by dividing the change in student enrollment versus the previous academic year by new single-family building permits issued the prior year for each respective area. Data on school enrollment by division for Counties in Virginia was obtained from the

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Virginia Department of Education and data on new single-family building permits issued was obtained from the U.S. Census Bureau. The following table summarizes this data.

TABLE 6

Academic Year	VIRGINIA			FAUQUIER COUNTY		
	Prior Year New SF Building Permits	Chg. In Enrollment vs. Prior Academic Yr	Ratio: Chg. in Enrollment to Prior Year SF Permits	Prior Year New SF Building Permits	Chg. In Enrollment vs. Prior Academic Yr	Ratio: Chg. in Enrollment to Prior Year SF Permits
2009-2010	19,939	9,391	0.47	106	22	0.21
2008-2009	30,944	4,110	0.13	105	-30	-0.29
2007-2008	38,977	10,497	0.27	289	153	0.53
2006-2007	49,959	7,202	0.14	506	212	0.42
2005-2006	48,990	11,040	0.23	706	199	0.28
2004-2005	46,263	12,955	0.28	703	419	0.60
2003-2004	45,711	14,614	0.32	798	282	0.35
TOTAL	280,783	69,809	0.249	3,213	1,257	0.391

Source: Virginia Department of Education and U.S. Census Bureau, compiled by The Weitzman Group, Inc.

Source: Virginia Department of Education and U.S. Census Bureau, compiled by The Weitzman Group, Inc.

Based upon these calculations for Fauquier County, Catlett Farm would add 252 students to existing Fauquier County enrollment.

The Ratio of Change in Enrollment to Prior Year Change in Housing Units was calculated annually as well as the Ratio of Total Change in Enrollment 2003-2009 to the Total Change in Housing Units 2002-2008 for Virginia and Fauquier County. These rates were 0.249 and 0.391, respectively. These ratios are lower because the change in housing units encompasses all types of units, such as apartments, instead of being restricted to only single-family units. The annual ratios were determined by dividing the change in student enrollment versus the previous academic year by the prior year's change in annual housing units from the previous year for each respective area. The following table summarizes these calculations.

TABLE 7

Academic Year	VIRGINIA			FAUQUIER COUNTY		
	Prior Year Chg. In Housing Units	Chg. In Enrollment vs. Prior Academic Yr	Ratio: Chg. in Enrollment to Prior Year Chg. in Housing Units	Prior Year Chg. In Housing Units	Chg. In Enrollment vs. Prior Academic Yr	Ratio: Chg. in Enrollment to Prior Year Chg. in Housing Units
2009-2010	31,962	9,391	0.29	253	22	0.09
2008-2009	40,788	4,110	0.10	629	-30	-0.05
2007-2008	54,921	10,497	0.19	648	153	0.24
2006-2007	58,300	7,202	0.12	655	212	0.32
2005-2006	52,189	11,040	0.21	750	199	0.27
2004-2005	55,998	12,955	0.23	658	419	0.64
2003-2004	50,731	14,614	0.29	793	282	0.36
TOTAL	344,889	69,809	0.202	4,386	1,257	0.287

Source: Virginia Department of Education and U.S. Census Bureau, compiled by The Weitzman Group, Inc.

Source: Virginia Department of Education and U.S. Census Bureau, compiled by The Weitzman Group, Inc.

Based upon these calculations for Fauquier County, Catlett Farm would add 185 students to existing Fauquier County enrollment.

Other County Expenditures

We also reviewed the County's adopted budget for FY2011 in an effort to update our analysis and understand the other costs incurred to provide services, excluding the County's contribution to the School Division's operating costs. The County provides law enforcement, fire and life safety, and other public service and infrastructure maintenance services to the residents of the unincorporated village of Catlett. Countywide, the total expenditures budgeted for FY2011 are budgeted to be \$151,667,391 including the County's contribution to the Schools Division of

\$89,308,899. Because we have already accounted for educational expenses as a separate line item, we have evaluated the total budgeted County expenses net of its Schools contribution, which equates to \$62,358,492 for FY2011. This is nearly the same as in FY2010. These expenses include all public service provisions, debt service, capital costs, and other expenses necessary for the County government to operate in service of its residents.

According to Alteryx, a leading demography company operating the website Demographicsnow.com, Fauquier County had an estimated population of 67,698 as of the first quarter of 2010. This data is derived from United States Postal Service records detailing current mail recipients by postal route, and is deemed to be among the most accurate methods by which current estimates of households and population can be obtained. Based upon this estimate of the number of people presently residing in the County, the County's total expenditures less School Division appropriations for FY2011 equates to \$921.13 per person. The average household size in the County is presently estimated to be 2.75 persons per household, equating to a total County expenditure per household (net of Schools contributions) of \$2,533.15. Thus, based upon a proposed 645 homes developed at Catlett Farm, the total cost to the County, not including education costs, resulting from the development and full occupancy of Catlett Farm is estimated to be \$1,646,548 in 2010 dollars. We do not anticipate that specific equipment or labor will need to be purchased as a result of the development of Catlett Farm beyond what the County would normally incur as such costs derived from a growing population base. However, a more thorough analysis of these costs can be undertaken once the development plans have become more specific. Further, an analysis of the costs associated with employment in the County versus residents of the County may be useful as part of a subsequent analysis.

Contingency

Finally, to be conservative, we have included a contingency cost of \$50,000 annually, which would cover unforeseen costs to the County beyond those which we have forecasted at the present time.

TOTAL NET BENEFIT (COST)

The following table summarizes our calculations of the total annual net benefit or cost upon completion of the Catlett Farm development in 2010 dollars. Including revenue from all sources, we are projecting annual revenue to the County of \$6,382,410. Annual costs are projected to be \$6,343,846.

Therefore, The Weitzman Group has estimated the annual net benefit to Fauquier County at \$38,565 per year upon full build-out in 2010 dollars in Scenario A, as shown, which includes the County's recommended new student generation ratio calculations pursuant to the Proffer Policy.

Shown as Scenario B in the following table, we have also calculated the net benefit if actual new public school enrollment occurs at a rate of 0.423 students per new single-family home, which is based upon the School Division's enrollment and new home statistics from the 2010-2011 Budget. Using this ratio, Catlett Farm would generate 273 new students at an annual cost of \$2.9 million. This would result in a net annual benefit to the County of approximately \$1.8 million, without any other changes to our analysis. We therefore highlight that while we have adopted the ratios contained in the Fauquier County Proffer Policy, we believe they may be conservative, and

CATLETT FARM Fiscal Impact Analysis Model		SCENARIO A			SCENARIO B		
		Utilizing Fauquier County New Student Generation Ratio			Utilizing The Weitzman Group's Calculated New Student Generation Ratio		
		REVENUE	EXPENSES		REVENUE	EXPENSES	
CATLETT FARM NET TAX REVENUE							
EXISTING UNDEVELOPED SITE							
Assessed Value: Real Property (Less Deferment)		\$747,400			\$747,400		
Assessed Value: Personal Property		0			0		
Real Property Taxes		7,250			7,250		
Personal Property Taxes		0			0		
Total Existing Tax Revenue		7,250			7,250		
FULLY DEVELOPED AND OCCUPIED SITE (Uninflated based upon 2010 tax rates)							
Assessed Value: Real Property (Residential and Retail)		2,578,745			2,578,745		
Assessed Value: Personal Property (Residential and Business)		21,285,000			21,285,000		
Annual Retail Sales		12,900,000			12,900,000		
Real Property Taxes		2,578,745			2,578,745		
Personal Property Taxes		944,280			944,280		
Business Licensing Taxes		18,512			18,512		
Retail Sales Tax Reinvestment		274,125			274,125		
Total Estimated Future Tax Revenue (Uninflated)		3,815,662			3,815,662		
Less: Existing Tax Revenue (From Above)		<u>(7,250)</u>			<u>(7,250)</u>		
Total New Tax Revenue resulting from Catlett Farm		3,808,412			3,808,412		
INCREASED TAX REVENUE FROM EXISTING PARCELS DUE TO WWTP							
Taxable Value of Catlett Real Estate (Less Deferments) *****		347,793,400			347,793,400		
Incremental Value Appreciation Due to WWTP (5.0%)		<u>17,389,670</u>			<u>17,389,670</u>		
Incremental Real Property Taxes (0.97 per \$100 of Value)		168,680			168,680		
WWTP OPERATIONAL COST SAVINGS							
Operating Cost Deficit - County Funded - 118 Catlett Users (<i>MuniCap Projection ****</i>)		(410,396)			(410,396)		
Operating Cost Deficit - Developer Funded - 763 Users (<i>MuniCap Projection ****</i>)		<u>(77,277)</u>			<u>(77,277)</u>		
Operational Cost Savings from Developer Funded WWTP		333,119			333,119		
ANNUAL PROFFER BENEFIT							
Annuity Payments to County from Fully-Funded Proffers and Capital Cost Savings		2,072,200			2,072,200		
SERVICES COST CHANGE TO FAUQUIER COUNTY							
New Households at Full Buildout				645			645
Estimated total School-Aged Children at Full Occupancy *		0.72 / SF and 0.45 / TH		439	0.423 per Unit		273
Annual School District Expenditures Per Pupil (Budgeted at \$10,621 for FY2011 **)				(4,659,964)			(2,897,781)
Annual County Expenditures, Excluding School Div. Support, Per Household (Budgeted at \$2,533.15 per Household for FY2010 ***)				(1,633,882)			(1,633,882)
Contingency for Unanticipated Additional Costs to the County				<u>(50,000)</u>			(50,000)
Total Estimated Marginal Expenses to Fauquier County Due to Catlett Farm				(6,343,846)			(4,581,662)
NET TAX BENEFIT (COST) TO FAUQUIER COUNTY		\$38,565			\$1,800,748		
<p>* Ratio based upon Fauquier County Proffer Policy in Scenario A, and based upon The Weitzman Group's calculated generation ratio in Scenario B</p> <p>** Total expenditure budgeted per student as reported by Fauquier County Schools for 2010 school year.</p> <p>*** Total budgeted General Fund expenditures of \$151,667,391 in FY2010, less \$89,308,899 in School Division Support. Total 1Q2010 Population estimated to total 67,698, with Avg. HH Size at 2.75 people, by DemographicsNow .com using USPS Zip+4 Data.</p> <p>**** Based upon projections by MuniCap comparing operating shortfall from WWTP serving 118 Catlett users versus 763 Catlett users upon completion of Catlett Farm, assuming no increase in monthly use fees</p> <p>***** Based upon data provided by Commissioner of the Revenue's office for parcels with tax bill mailing address in Catlett</p> <p>Source: Projections by The Weitzman Group, Inc.</p>							

CONCLUSION

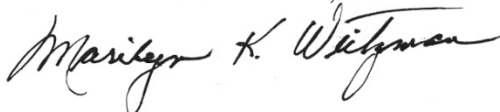
Due to timing, we did not previously account for the value or utility of proffers being offered by the developer of Catlett Farm, this updated analysis has done so. As a result of the inclusion of proffers in our analysis, as well as some other considerations, The Weitzman Group has projected a net annual benefit to the County upon completion of the Catlett Farm project. These projections are based upon a more conservative approach to some assumptions, as requested of us by County staff.

Ultimately, other important factors in the actual fiscal impact of the development on the County in the long-term will be the benefits associated with increased consumer spending in the County, the potential for future increased funding from the Commonwealth and Federal Government for public projects, private grants for various initiatives, the potential for enhanced intangible benefits from community amenities and programs (such as arts programs) resulting from new household growth, tourism and visitation, and other factors that are immeasurable at this time.

We cannot overemphasize the effect that the economic and market conditions will have on the ultimate net fiscal impact to the County. Due to the current recessionary environment, we believe that it is likely that the future real estate values for both the residential and retail components at Catlett Farm, as well as the retail sales generated there, have the potential to be higher than our estimates. We cannot speculate at this time on the future value of real estate due to a significant level of market uncertainty. However, the nation has recently endured the worst housing market in decades, and consumer expenditures are dramatically reduced. Improvements in these areas over the coming years will have a strong positive impact on Catlett Farm's contribution to the funding of County and School Division expenditures.

It has been a pleasure to be of service on this assignment. Please contact us with your questions related to this updated analysis.

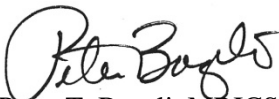
THE WEITZMAN GROUP, INC.



Marilyn K. Weitzman, MAI, CRE, FRICS
President



Thomas M. Justin, CRE, FRICS
Executive Vice President



Peter T. Bazeli, MRICS
Senior Vice President

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Real Estate Consultants

ADDENDA

THE WEITZMAN GROUP, INC.
Real Estate Consultants

EXHIBIT A

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

This report has been solely prepared for the client identified in the letter of transmittal and throughout the report. It is to be expressly utilized by the client for the purposes so stated, and no reliance is to be placed on this report for any other purposes. This report may not be utilized in conjunction with any securitized transaction without the express permission of The Weitzman Group, Inc. The rights to any information contained in this report, unless furnished by outside sources, are exclusively those of The Weitzman Group, Inc. This report must be read in its entirety and neither all nor portions of this report may be reproduced, published or shown to other parties without the express written authorization of The Weitzman Group, Inc.

This fiscal impact analysis was conducted in July and August 2010, and is an update to our initial analysis that was conducted in August 2009.

The date to which the opinions expressed in this report apply is set forth in the letter of transmittal. The signatories assume no responsibility for economic or physical factors occurring at some later date, which may affect the opinions herein stated. Any aberrations and/or dramatic changes of prevailing economic conditions as of the date of analysis may impact our conclusions.

No opinion is intended to be expressed for legal matters or those that would require specialized investigation or knowledge beyond that ordinarily employed by the real estate profession, although such matters may be discussed in the report.

Data relative to the size of the units or aspects of the development were taken from sources considered reliable. Maps, plats, graphics and exhibits if included herein, are for illustration purposes only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

The signatories of this report represent that they have no current or contemplated interest in any properties within the market study area covered by this report.

The rendering of this report does not presume the right of expert testimony or attendance in court or at any other hearing, unless financial, scheduling and other arrangements are made therefore a reasonable time in advance by mutual written agreement. All fees and costs (at the customary rates charged by The Weitzman Group, Inc. for litigation and non-litigation services) for any such attendance or other participation as an expert or in court, at any hearing or in connection with any discovery related to this report or the services provided by The Weitzman Group, Inc. hereunder shall be paid by the client herein identified if and to the extent same shall not be fully paid by any other person or entity.

Disclosure of the contents of this market study report and/or its use is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report especially any conclusions, the identity of the consultants or firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation shall be disseminated to the public through advertising media, public relations media, sales media, news media, or any other public means of communication without the prior written consent and approval of the consultants. As previously mentioned, this document may not be utilized for any reporting in conjunction with a securitization transaction without the express written permission of The Weitzman Group, Inc.

This report constitutes a complete report, transmitted in summary report format and complies with The Uniform Standards of Professional Practice of The Appraisal Foundation for a complete report. This study has been prepared in conformity with and subject to the Code of Professional Ethics and Standards

of Professional Practice of the Appraisal Institute. As a summary report, this report does not include full discussions of the data, reasoning, and analyses that were used in the study's process to develop the consultant's opinions. Full documentation has been retained in our files.

The marketability analysis was conducted by Marilyn K. Weitzman, Thomas M. Justin, and Peter T. Bazeli during July and August 2010.

We have relied on information relative to the proposed project as supplied by Catlett Farm, LLC and MuniCap and have assumed such information to be correct at this stage in the development process.

EXHIBIT B

CERTIFICATION OF CONSULTANTS

CERTIFICATION OF CONSULTANTS

We hereby certify that The Weitzman Group, Inc. was engaged to undertake an initial fiscal impact analysis of the potential development of the property known as Catlett Farm in Catlett, Fauquier County, Virginia.

Neither The Weitzman Group, Inc. nor we have any present or contemplated future interest in the real estate in any of the markets that have been analyzed in this report.

We have no personal interest or bias with respect to the subject matter of the report or the parties involved.

To the best of our knowledge and belief the statements of fact contained in this marketability study, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

This marketability study report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.

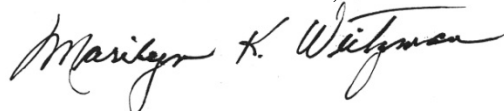
The marketability analysis was conducted by Marilyn K. Weitzman, Thomas M. Justin, and Peter T. Bazeli during July and August 2010 as an update to our original analysis that was completed in August 2009.

Our fee for this marketability analysis is not contingent upon the conclusions reported or upon anything else other than the delivery of this report.

This marketability analysis has been made in conformity with and is subject to the requirements of The Uniform Standards of Professional Practice of The Appraisal Foundation. It is also subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

The Appraisal Institute conducts a program of continuing education for its designated members. Members who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, Marilyn Kramer Weitzman has completed the requirements under the continuing educational program of the Appraisal Institute.

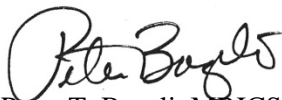
THE WEITZMAN GROUP, INC.



Marilyn K. Weitzman, MAI, CRE, FRICS
President



Thomas M. Justin, CRE, FRICS
Executive Vice President



Peter T. Bazeli, MRICS
Senior Vice President

EXHIBIT C
QUALIFICATIONS OF THE CONSULTANTS

THE WEITZMAN GROUP, INC.
Real Estate Consultants

PROFESSIONAL QUALIFICATIONS

MARILYN KRAMER WEITZMAN, MAI, CRE, FRICS

EDUCATION: B.A., University of Pennsylvania

M.A., University of Pennsylvania
Graduate School of Arts and Sciences

M.B.A., New York University Graduate
School of Business Administration
Beta Gamma Kappa Honor Society
Specialization in Finance

New York University Real Estate Institute
Courses in Advanced Real Estate Finance and
Case Studies in Investment Analysis

EMPLOYMENT: THE WEITZMAN GROUP, INC., New York, NY
Real Estate Consultants

President

Real estate specialists, providing advice and counsel to those engaged in evaluation, buying, selling, leasing, financing, or developing real estate. The services provided by the firm include acquisition and disposition counseling, regional economic analysis, market research, due diligence, development planning, appraisals and expert testimony.

KORPACZ & WEITZMAN, INC., New York, NY
Real Estate Consultants and Appraisers

Principal

Real estate consultants and appraisers providing market analyses, investment analyses, and property valuation services.

LANDAUER ASSOCIATES, INC., New York, NY

Assistant Vice President of Investment Services Division

General real estate consulting including investment analysis, appraisals, feasibility studies and cash flow studies.

AMERICAN CITY CORPORATION, Hartford, CT
Subsidiary of The Rouse Company

Regional Economist

Responsible for aspects of regional planning and market analysis relating to the acquisition of new community sites.

THE WEITZMAN GROUP, INC.
Real Estate Consultants

PROFESSIONAL QUALIFICATIONS

MARILYN KRAMER WEITZMAN, MAI, CRE, FRICS

LEON H. KEYSERLING, Washington, DC
Consulting Economist and Attorney

Junior Economist

Responsible for the collection and analysis of data from government sources and private clients.

MEMBER: Appraisal Institute – MAI (past Vice-Chairman, Education Committee)
Counselors of Real Estate (past National Vice-President)
Urban Land Institute (ULI)
Royal Institute of Chartered Surveyors (RICS)
The Real Estate Board of New York, Inc.
Commercial Real Estate Women (CREW)
Association of Real Estate Women (AREW Past President)
Licensed Real Estate Salesperson – New York State

LECTURER: Ingredients and Functions of a Market Study, a seminar sponsored by the New York Chapter of the American Institute of Real Estate Appraisers.

Real Estate Marketability and Investment Feasibility Analysis, a seminar presented for the Real Estate Department of Manufacturers Hanover Trust Company.

Apartment Project Marketability and Investment Feasibility Studies, a seminar presented for the Long Island Chapter of The Society of Real Estate Appraisers.

Residential Development – Marketability and Investment Feasibility Studies, a seminar sponsored by the University of Massachusetts at Sturbridge, Massachusetts.

Feasibility Analysis before the International S.R.E.A. conference in Atlanta.

Guest Lecturer at the Real Estate Institute of New York University on economic base studies, market analysis and appraisal.

ADJUNCT
PROFESSOR: The Real Estate Institute of New York University. Courses include
Real Estate Research: Market Analysis and Feasibility Studies; Advanced Applications in Appraisal.

THE WEITZMAN GROUP, INC.
Real Estate Consultants

PROFESSIONAL QUALIFICATIONS

THOMAS M. JUSTIN, CRE, FRICS

EDUCATION: B.S. Economics, Brescia College,
Owensboro, Kentucky

M. A., Economics, West Virginia University
Morgantown, West Virginia
Graduate School of Business and Economics

EMPLOYMENT: THE WEITZMAN GROUP, INC.
Real Estate Consultants
355 Lexington Avenue
New York, New York 10017

Responsibilities included providing advice and counsel to those engaged in evaluation, buying, selling, leasing, financing, or developing real estate. Prepares and supervises all consulting assignments for planned unit developments, multi-family properties, office buildings, shopping centers, mixed-use developments, industrial properties, and special use properties.

KORPACZ & WEITZMAN, INC.
Real Estate Consultants and Appraisers
375 Park Avenue
New York, New York 10152

Vice President and Director of Market Analysis
Prepared and supervised all market analyses and appraisals for planned unit developments, multi-family properties, office buildings, shopping centers, mixed-use developments, industrial properties, and special use properties.

THE WEITZMAN GROUP, INC.
Real Estate Consultants

PROFESSIONAL QUALIFICATIONS

THOMAS M. JUSTIN, CRE, FRICS

PROCON REAL ESTATE ADVISORY CORPORATION
140 Sylvan Avenue
Englewood Cliffs, New Jersey

Vice President and Director of Market Research

Responsibilities included the supervision and/or preparation of all residential and commercial market analyses. These studies were conducted throughout the United States. Involved in the development of long and short-term forecasting techniques used in estimating the demand for residential, office and retail land uses. Consulting services were rendered to lending institutions, corporations, builders/developers, and individuals.

WILLIAM E. BECKER AND ASSOCIATES
E210 Route 4
Paramus, New Jersey

Director of Market Research

General real estate consulting with emphasis on residential market analysis and the evaluation of distressed properties. Responsible for coordinating all project assignments and related staff functions. Prepared and conducted seminars for corporate and government clients desiring to develop internal real estate market research capabilities.

MEMBER: Counselors of Real Estate (CRE). Co-Chairperson of
The Counselor Advisory Corps
Fellow, Royal Institute of Chartered Surveyors (FRICS)
Urban Land Institute (ULI)

SPEAKER: Guest Speaker – Urban Land Institute Annual Meetings
Adjunct Professor – New York University Real Estate School – Masters
Program

THE WEITZMAN GROUP, INC.
Real Estate Consultants

PROFESSIONAL QUALIFICATIONS

PETER T. BAZELI, MRICS

EDUCATION:

Bradley University 1998
Foster College of Business Administration
Peoria, Illinois
Bachelor of Science degree
Concentration in Marketing

EMPLOYMENT:

THE WEITZMAN GROUP, INC.
New York, New York
Real Estate specialists providing advice and counsel to
those engaged in evaluating, buying, selling, leasing,
financing, or developing real estate.

Senior Vice President October 2004 - Present

DRAPER AND KRAMER, INCORPORATED
Chicago, Illinois
Privately-held real estate firm engaged in the acquisition,
financing, development, and management of commercial
and residential property nationwide.

Assistant Vice President 2000-2004
Responsibilities within the Development Group involved
with the acquisition, financing, development, and
marketing of large-scale residential properties in Chicago,
Miami and Boston totaling approximately \$500 million in
sales.

Retail Leasing Broker 2000
Provided retail leasing and brokerage services on a
portfolio totaling more than 1 million square feet.

Senior Research Analyst 1998-2000
Performed market feasibility, underwriting, and general
real estate analysis services for the firm and its clients.

MEMBERSHIP:

Member of the Royal Institute of Chartered Surveyors (MRICS)
Urban Land Institute (ULI)
Guest Lecturer at the NYU Master's Program in Real Estate
Guest Lecturer – Furman University Executive Lecture Series